



Treasury Reporting Dashboard

Prepared 5 June 2026



Economic Commentary as at 31 May

Global

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Global financial markets are navigating a high-stakes balancing act as intense geopolitical friction intersects with structural inflation. While global economic growth and labour markets show surprising resilience, the volatile US-Iran conflict continues to impact energy markets while fracturing business and consumer confidence. The immediate outlook hinges on a successful conclusion to the diplomatic US-Iran negotiations. Reports suggest the broad outline of a deal has been reached. However, until a formal agreement stabilises the Strait of Hormuz, central banks are forced to maintain restrictive policy stances or prepare for fresh tightening cycles to combat a renewed wave of headline inflation.

The US Federal Reserve (“Fed”) held the Federal Funds rate steady at 3.50%–3.75% for a third consecutive meeting. In his final session as Chair, Jerome Powell characterised monetary policy as close to neutral. However, the decision exposed severe internal fractures, triggering the most significant board dissent in 34 years with four votes cast against the decision to hold rates steady. The US Senate has since confirmed Kevin Warsh as Powell’s successor. While Warsh has announced his intention to lead a “reform-oriented Fed,” regional members are keeping the focus squarely on price stability. The Fed’s minutes revealed that a majority of board members favour a hawkish bias, with many preferring to remove any language suggesting an easing bias should inflation continue to persistently run above 2.0%. This policy firming appears justified after both CPI and PCE inflation rose to 3.8%, their highest levels since May 2023.

The Reserve Bank of Australia (“RBA”) is dealing with a deteriorating economic data mix ahead of its June meeting. After three rate hikes this year, April surprisingly saw headline inflation fall from 4.6% to 4.2% against forecasts at 4.4%. While the RBA’s preferred trimmed mean rate held steadier at 3.4%, stagflationary signals emerged after unemployment firmed from 4.3% to 4.5% and household spending contracted 1.1%, complicating the path for future rate decisions.

	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
27-Feb-26	2.25%	2.49%	2.93%	3.17%	3.48%	3.69%	3.93%
04-Jun-26	2.25%	2.66%	3.49%	3.65%	3.86%	4.04%	4.24%
Change	0.00%	+0.17%	+0.56%	+0.48%	+0.38%	+0.35%	+0.31%

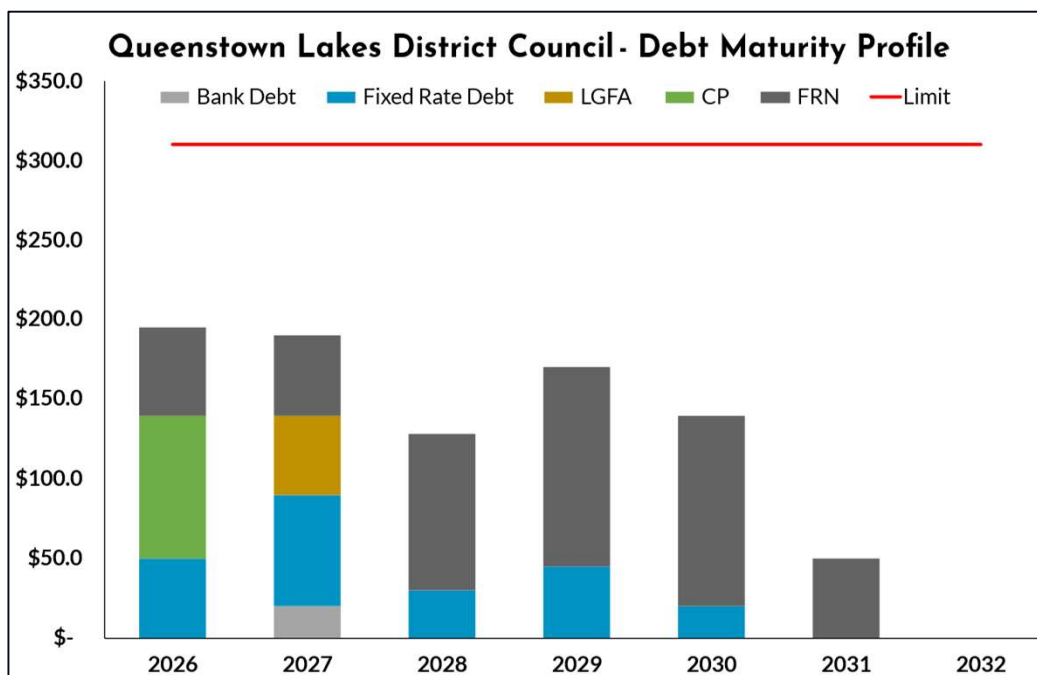
New Zealand

While the Reserve Bank of New Zealand (“RBNZ”) met market expectations by keeping its OCR unchanged at 2.25%, the policy meeting delivered a hawkish surprise: three committee members voted for an OCR hike. Notably, a clear split emerged along internal lines. All three central bank staff members voted for the status quo, whereas the three external independent members voted to hike. Ultimately, Governor Breman used her Chair casting vote to break the 3–3 tie to maintain the OCR at 2.25%. The split underscores a looming hawkish shift indicating that OCR hikes are likely imminent. In this regard, the statement was explicit, “*On balance, the OCR will most likely need to increase sooner and by more than envisaged in the February Monetary Policy Statement. The pace of OCR increases will depend on the relative influence of persistent wage and price-setting behaviour versus weaker economic activity on medium-term inflation pressures.*” The statement blamed the Middle Eastern conflict for driving the inflation spike and clouding the medium-term economic outlook, with the RBNZ now expecting inflation to peak at 4.3% in the September quarter, before trending back down toward its 2.0% target mid-point by mid-2027.

In the Q&A, the RBNZ Governor went to great pains to stress that in signalling a hawkish shift toward imminent OCR increases, the Committee was split on the timing of hikes rather than the necessity of tightening adding, “*Our assessment is that in the near term we’re likely to need some OCR hikes to push back on having the risk of inflation becoming embedded. We are currently at the ‘lower band’ of the neutral rate’s range. We will act to ensure that inflation returns to target over the medium term, and that will help inflation expectations remain well anchored.*”



Liquidity, Funding and Policy Compliance



Core Debt

\$683m

External Council Drawn Debt (excludes HIF debt) as at 31 May

Total Debt (includes HIF debt)

\$710m

Funds Drawn from LGFA as at 31 May

Headroom = committed bank and LGFA facilities and cash and term deposits in the bank

\$88.1m¹

Liquidity Ratio (includes HIF debt)

111.98%¹ (must be >110%)

Definition: (Cash Reserves + Lines of Credit + Drawn Debt)/Drawn Debt

Cost of Funds as at 31 May

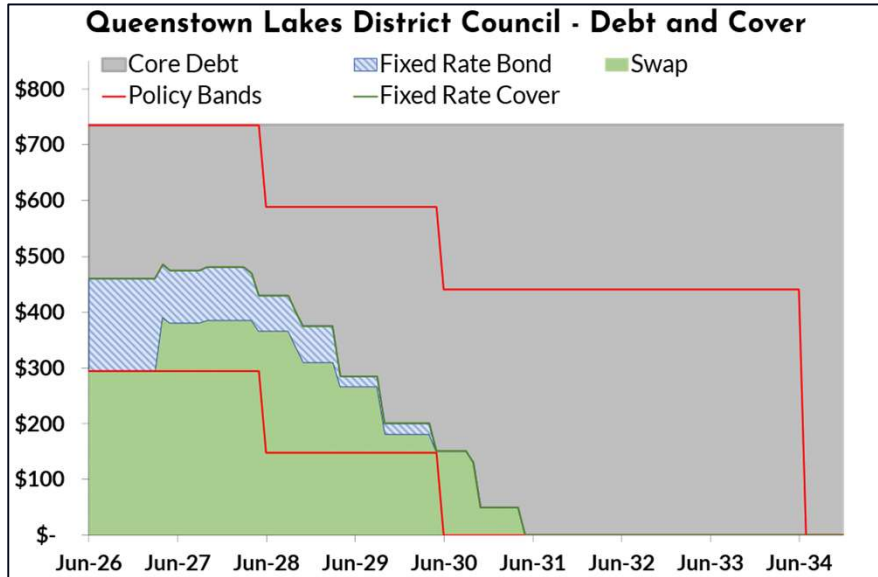
3.97% excl. HIF

3.82% incl. HIF

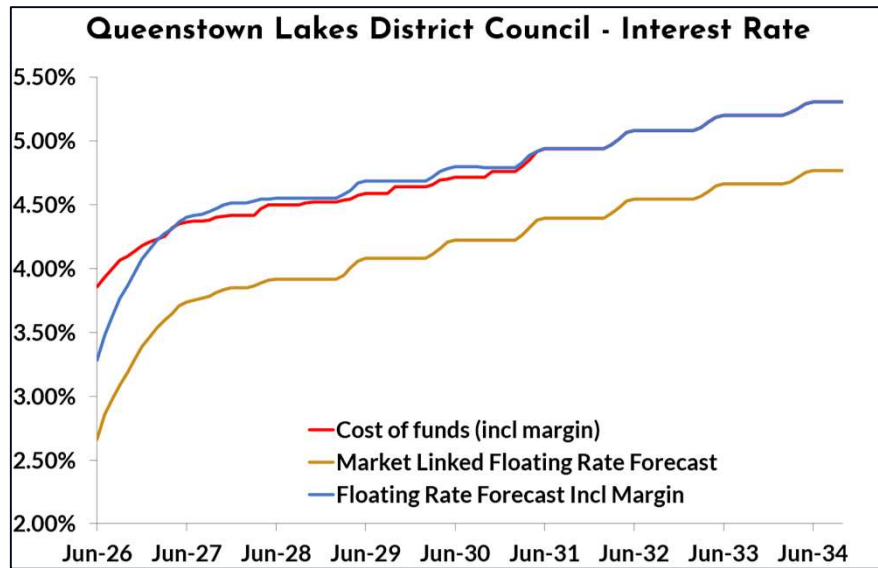
¹ Calculated on the projected 30 June numbers

Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within policy control limits?	Yes
Is the funding maturity profile within policy control limits?	Yes
Is liquidity within policy control limits?	Yes
Are counterparty exposures within policy control limits?	Yes

Interest Rate Risk Management and Metrics



Current % of Debt Fixed	59.8%
Current % of Debt Floating	40.2%
Value of Fixed Rate (m)	\$460.0
Weighted Average Cost of Fixed Rate Instruments	3.80%
Value of Forward Starting Cover(m)	\$125.0
Weighted Average Cost of Forward Starting Cover	3.85%
Value of Floating Rate (m)	\$275.3
Current Floating Rate	2.66%
All Up Weighted Average Cost of Funds Including line fees and HIF	3.82%
Total Facilities In Place including HIF	\$785.0



Fixed Rate Hedging Bands			
	Minimum	Maximum	Policy
0 - 2 years	40%	100%	Compliant
2 - 4 years	20%	80%	Compliant
4 - 8 years	0%	60%	Compliant

QLDC's cost of funds has fallen from 4.54% in February 2025 to the current level of 3.82%.

Interest Rate Risk Management

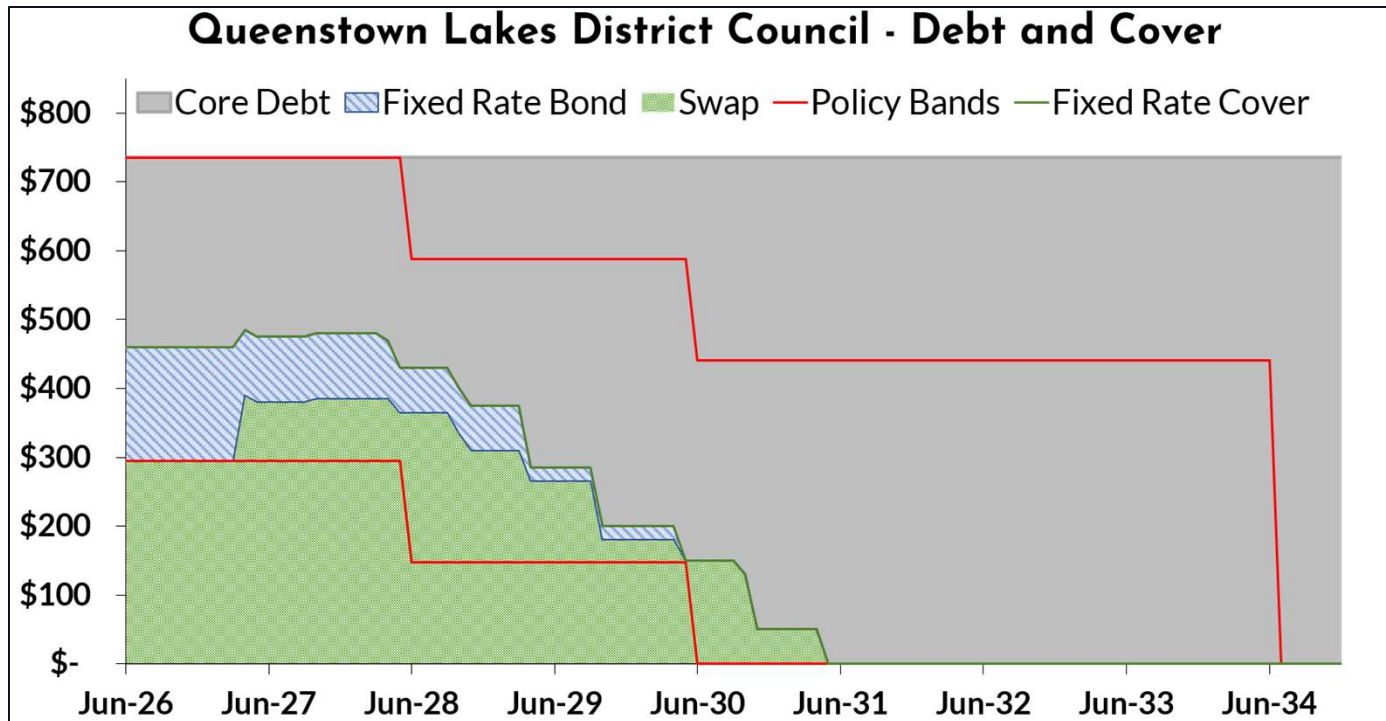
Recent Transactions and Strategy

Queenstown Lakes District Council (“QLDC”) is currently policy compliant based on the projected 30 June debt level of \$735 million. Since the last report QLDC has transacted the following two interest rate swaps.

- \$25 million starting 15 April 2027 and maturing on 15 November 2030 at 3.96%.
- \$20 million starting 15 June 2026 and maturing on 15 May 2031 at 3.825%.

Swap rates are still a little elevated, with the market pricing a more aggressive tightening path than the RBNZ has signalled, with current pricing having the OCR back near 3.50% by June 2027, versus the RBNZ’s projection of three hikes to 3.00% with a ~50% possibility of one more. We see the RBNZ’s more measured path as the more likely outcome, given a soft domestic backdrop, under pressure households and low wage inflation leaving a reduced scope for inflation to become embedded as it did after Covid. The main risk to this view is a prolonged Middle East conflict keeping global inflation elevated and offshore yields from easing.

Given QLDC will remain policy compliant until November 2026, our view that swap rates remain elevated, and increased uncertainty globally, our recommendation is that QLDC does not transact any further fixed rate cover at this stage. Bancorp will continue to monitor the market on behalf of QLDC and advise accordingly if conditions become more favourable and any action becomes appropriate.



LGFA Borrowing Rates

Listed below in black are the credit spreads and applicable interest rates as at 2 June for Commercial Paper (“CP”), Floating Rate Notes (“FRN”), and Fixed Rate Bonds (“FRB”), at which QLDC could source debt from the Local Government Funding Agency (“LGFA”).

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.15%	2.80%	N/A
6 month CP	0.15%	3.04%	N/A
April 2027	0.90%	3.55%	3.46%
May 2028	0.46%	3.11%	4.01%
April 2029	0.51%	3.16%	4.22%
May 2030	0.59%	3.24%	4.42%
May 2031	0.69%	3.34%	4.59%
May-2032	0.75%	3.40%	4.74%
April 2033	0.81%	3.46%	4.88%
May 2034	0.86%	3.51%	5.00%
May 2035	0.96%	3.61%	5.16%
April 2037	1.03%	3.68%	5.34%



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